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**NEW ALBERTSON'S BUSINESS OF SUPERVALU INC.
AND SUBSIDIARIES**

Notes to Combined Financial Statements

February 21, 2013 and February 23, 2012

(Dollars in millions)

(1) Description of Business and Basis of Presentation**(a) Business Description**

The New Albertson's Business (NAI or the Business) is not a stand-alone legal entity, however it is a combination of supermarket businesses operating under the banners Jewel-Osco, Shaw's, Star Market, Acme and Albertsons and their associated in-store pharmacies and dedicated distribution centers, which were part of the retail segment of SUPERVALU INC. (Parent or SUPERVALU) through March 21, 2013. These supermarket stores offer a wide variety of nationally advertised brand name and private-label products, primarily including grocery (both perishable and nonperishable), general merchandise and health and beauty care, as well as pharmacy and fuel.

On March 21, 2013, Parent sold NAI to AB Acquisition LLC (NAI Banner Sale). Immediately after AB Acquisition LLC's purchase of NAI, NAI sold its Albertsons banner operations, Albertsons dedicated distribution centers and certain other assets (Albertsons Business) to Albertson's LLC, a wholly owned subsidiary of AB Acquisition LLC (Albertsons Banner Sale). Subsequent to the Albertsons Banner Sale, the Albertsons Business and the remaining supermarket operations within the New Albertson's Business remain under the common control of AB Acquisition LLC.

(b) Basis of Presentation

These combined financial statements represent the financial position, result of operations and comprehensive income (loss), changes in Parent company deficit, and cash flows of the Business, and were derived by extracting the assets, liabilities, revenues and expenses directly attributable to the Business from the historical accounting records of the Parent, based on accounting policies historically used by Parent. The combined financial statements have been prepared in accordance with SEC Financial Reporting Manual Section 2065, *Acquisition of Selected Parts of an Entity May Result in Less Than Full Financial Statements*, and Staff Accounting Bulletin (SAB) Topic 1.B., *Allocation of Expenses and Related Disclosure in Financial Statements of Subsidiaries, Divisions or Lesser Business Components of Another Entity*.

Financial statement items related specifically to the Business have been identified and included in the combined financial statements. These include balance sheet items, revenue, direct costs, labor and benefits, facilities and maintenance, consulting and outside services, and general and administrative costs.

Certain support functions are provided on a centralized basis by Parent on behalf of all its subsidiaries, including the Business, such as distribution, finance, human resources, information technology, facilities, marketing and merchandising, and legal, among others. These expenses have been allocated to NAI on the basis of direct usage when identifiable, with the remainder allocated pro rata based on sales, headcount or other relevant measures of NAI and Parent. The service charges and corporate expense allocations have been determined on a basis that NAI considers to be a reasonable reflection of the utilization of the services provided or the benefit received by NAI during the periods presented. Management believes the assumptions underlying the combined financial statements, including the assumptions used in allocating general corporate expenses from Parent, are reasonable. The allocations may not, however, reflect the expense NAI would have incurred as an